The Province of British Columbia

Commission of Inquiry Into the Public Service and the Public Sector

Interim Report

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Judi Korbin, Commissioner

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Commissioner

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INTRODUCTION

On March 6, 1992, I was appointed by Cabinet as a commissioner under the Inquiry Act to report to Cabinet through the Minister of Finance, the Honourable Glen Clark, on ways to enhance:

- the delivery of public services through an independent professional public service; and
- the personnel and labour relations environment within which operate those bodies created, financed, or maintained by the provincial government for public purposes.

In addition to the matters set out above, the terms of reference direct the commission:

- to review the delivery of personnel and labour relations services relating to the recruitment, hiring and promotion of employees in the public service;
- to review policies and procedures within the public service relating to the contracting for services outside the public service;
- to review current structures and practices for the public service relating to collective bargaining, dispute resolution, and exclusions from collective bargaining units under the Public Service Labour Relations Act and the Industrial Relations Act;
- to recommend the most cost efficient and effective personnel policies and services for the public service and...public sector...; and
- to recommend the most appropriate role for government, if any, to:
  - rationalize compensation levels;
  - define collective bargaining structures;
  - standardize employee benefits; and
  - collect, analyze and distribute information concerning the cost of services by employees or through contracts...

After nine months of research and analysis, I have decided to make an interim report to The Honourable Minister of Finance. My purpose is to update the minister and the public with respect to many of the matters under our mandate and to make recommendations in four specific areas based on our studies and consultations to date.

In announcing the establishment of The Commission of Inquiry into the Public Service and Public Sector (the commission) to the province on March 6, 1992, Premier Harcourt said:

> *In these tough economic times, we must tackle the issue of spending waste and make sure we make the most efficient use of government resources. Ms. Korbin's commission will provide a framework for restoring a better system of checks and balances.*

Direct and indirect labour costs in the public sector funded directly by the provincial government are approaching 60% of the provincial budget. This amounts to over $10.5 billion of the $17.98 billion 1992/93 budget for provincial expenditure. In some ministries, such as those of Health and Education, the amount spent on employee labour costs is in excess of 75% of the ministries' annual budgets.

Approximately 300,000 British Columbians - almost one in five people working in BC - work in the broad public sector. This commission defines the broad public sector as including those employees working in: the delivery of health services; education (kindergarten to grade 12); advanced education (universities, colleges and institutes); crown corporations, agencies and commissions; social services (which is comprised largely of agencies funded by the Ministries of Social Services, Health, the Attorney-General and Women's Equality); and the public service, those employees and contractors who work directly for the provincial government. The broad public sector includes employees of municipalities. However, this sector will not come under the same degree of scrutiny by the commission as other sectors because municipalities are not directly funded by the provincial government.

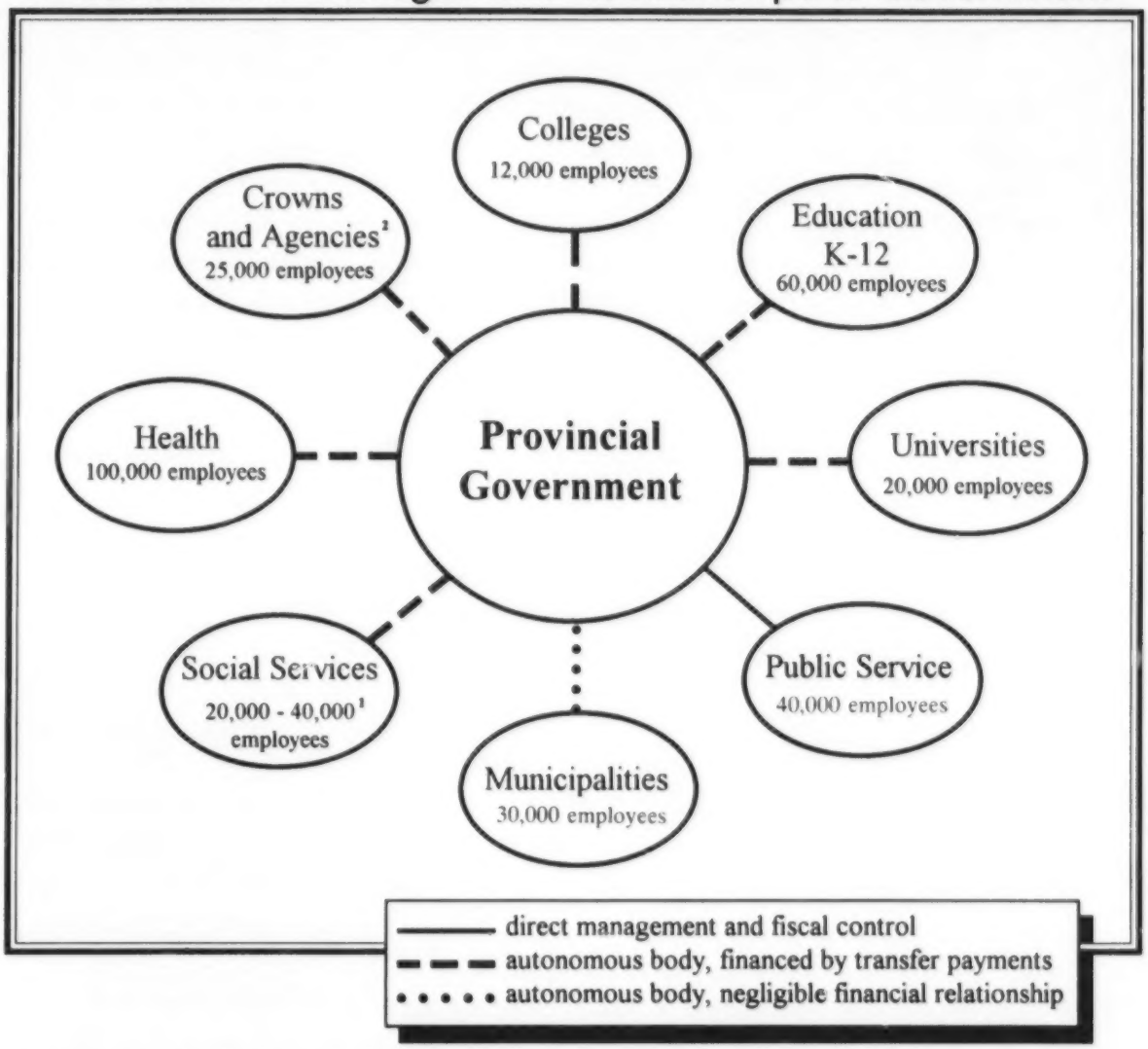
A breakdown of the numbers of employees in each of the components of the broad public sector is included in the chart on page 4 of this document. This chart shows that there are approximately:

- 100,000 employees in health care delivery
- 60,000 employees in education, K-12
- 12,000 employees in advanced education, colleges and institutes
- 20,000 employees in universities
- 25,000 employees in crown corporations, agencies and commissions
- 20,000 - 40,000 employees under the umbrella of Social Services
- 40,000 employees in the direct public service of the province
- 30,000 employees of the various municipalities in BC

A very high percentage of these employees is unionized. The terms and conditions of the unionized employees are determined through the collective bargaining process either by individual employers and unions or by employers and unions bargaining together.

Broad Public Sector Profile

Financial and Management Relationships to Government



Note - The figures in this chart are only approximations. There is a lack of accurate information on the number of employees in the broad public sector.

1 - The number for Social Services is a range as the commission's project in this area is intended to obtain an audit of all Social Service agencies.

2 - Crowns and Agencies have a direct relationship to government but have varying degrees of financial and administrative autonomy.

Principles

Through consultation and research, the commission has developed a set of principles upon which any new system of human resource management in the public sector should be based. These principles are:

- Accountability
- Coordination
- Effective Management of Human Resources
- Balancing Employer/Employee and Union/Management Interests

These four principles will form the basis of all of the commission's recommendations. They are explained further in the following pages.

- *Accountability*

> To create a well functioning human resource system, organizations, institutions and individuals with authority and responsibility must be accountable for the decisions they make. They must also be responsible for the consequences of those decisions. This requirement applies to the government and to each component of the public sector which is accountable to the citizens, taxpayers and clients of the province.

The government directly manages only 15% of the $10.5 billion labour costs that it is currently obligated to meet through transfer payments, program funding and direct grants. This means that approximately half of total government expenditures is being committed by parties whose decisions are virtually autonomous from government.

The mandate of this commission is to recommend changes to human resource management in the public sector which will make the system more accountable, equitable, efficient and cost effective over the long term and which will allow the government to exert appropriate influence over public and fiscal policy in a balanced manner (i.e., it should balance the legitimate interests of employers and unions). This will require structural reform.

- *Coordination*

  The broad public sector contains a vast array of participants. To manage this diverse system effectively, an improved level of coordination and communication among participants is desperately needed.

The commission is inquiring into human resource planning, personnel, compensation levels, recruitment and staffing practices in the broad public sector and matters relating to labour relations and collective bargaining.

There are a significant number of separate sets of bargaining including:

- over 100 bargaining tables in Health
- over 165 bargaining tables in Education (K-12)
- over 50 bargaining tables in Advanced Education and Universities
- over 20 bargaining tables in crown corporations, agencies and commissions
- over six major bargaining tables and many component bargaining tables in the provincial public service
- a large number of tables in Social Services and the municipal sector.

The terms and conditions of employment of those public sector employees who are not unionized, including executives and all employees who are excluded from collective bargaining, are established independently at each of hundreds of facilities throughout the province by the boards of hospitals, educational facilities, and crown corporations and agencies.

One of the most disturbing findings of the commission to date is that the public sector human resource system as a whole is fragmented and poorly managed, even though many individual employers manage well. There is no meaningful or organized system linking human resource issues from one sector to another, nor is there any requirement for components within the various sectors to communicate with each other on collective bargaining matters or the broader human resource issues.

The salaries and benefits for unionized, excluded and management employees are often determined by individual public sector employers without due consideration for equity relationships with other employers and employees in the same sector, let alone with other sectors and, therefore, without regard for the broad impact on the citizens of the province. Communication and policy coordination across the broad public sector is an absolute requirement to enable the government and the parties to plan ways to deal with issues on a fair, cohesive and consistent basis, particularly in a restrained fiscal environment.

- *Effective Management of Human Resources*

  To effectively and efficiently deliver services to the public, duplication and inefficiency must be reduced. Human resource managers and employees should not lose sight of the fact that the public sector exists to serve the public interest and the taxpayers.

It has become clear to the commission that there are many outdated and inefficient human resource policies and practices throughout the public sector. Many solutions to these inefficiencies can be found through leaner and more effective management structures and practices, improved systems, and the cooperative efforts of management, unions and line employees.

• *Balancing Employer/Employee and Union/Management Interests*

> Effective delivery of public services demands that managers and employees in the public sector strive for cooperation, equity, respect and professionalism in their relationships.

In most broad public sector workplaces there are two kinds of relationships - the day to day relationship between employer and employee and the broader relationship between management and unions.

Summary

In our research, the commission has reviewed approximately 4,100 letters and written submissions to date. We have spoken to over 4,000 people representing management, labour and interested parties from both the public and private sectors. As a result, the commission is convinced there is no simple solution to the diverse problems faced by the public sector. At the same time, we are convinced that, if we can make the individual public sector components work more effectively and cooperatively, there are some excellent efficiencies to be gained.

Regardless of which modifications to the current structure of public sector management are developed, it is clear that, if they are to be effective, they must combine the requirements for sound governmental fiscal and policy management with effective decision making and service delivery at a variety of levels. Consideration for the interests of public sector employees are of equal importance in devising these modifications.

In its review, the commission is considering a number of options as to how to make the system more efficient and cost effective while, at the same time, ensure that government does not intrude inappropriately, or without positive effect, into the activities of public sector organizations. The range of options varies from the ad hoc model currently in place in BC to the Quebec model, where the government bargains directly with almost all of the public sector at one time and sets all public

executive compensation, thereby minimizing the collective bargaining and human resource roles of individual employers and unions.

From the outset, the commission has assumed that the success of its review and recommendations would depend, to a large extent, on the active participation of both labour and management people involved in our current system. I am aware that the issues being addressed by the commission are fundamental to the operation of the province's public institutions. The best results will come from as broad a consensus of opinion as possible. This has directly influenced the process of our review which can, in part, be described as extended consultation with all interested parties.

In this interim report we are making 11 recommendations in four specific areas. These areas are: The Full-Time Equivalent System, The Compensation Information Bureau, Contracted Temporary and Clerical Help Services and Health Care. At the time of publication, our review of these areas was sufficiently advanced to allow the commission to make recommendations.

The rest of the report summarizes the ongoing research in other broad public sector projects. Where necessary we will make recommendations in these areas in our final report to the government in the spring of 1993.

I have had, and continue to have, the benefit of advice from a volunteer advisory panel consisting of: Wendy Devine of Harris & Company; George Ford, Deputy to the Premier; Ken Georgetti, President of the BC Federation of Labour; Miriam Gropper of McTaggart Ellis and Company; Jim Matkin, President and CEO of the BC Business Council; Vince Ready, mediator/arbitrator; and Lynn Smith, Dean of Law at UBC. This panel has provided the commission with constructive insights into the issues under review.

RECOMMENDATIONS

The Full-Time Equivalent System

The *Financial Administration Act* (1981) is the principal act regulating expenditure by the provincial government. Section 20 (6) of that act establishes the Full-Time Equivalent (FTE) system as a control over the size of the staff employed directly by the provincial government. It reads:

> *The number of full time equivalent staff in a ministry shall not exceed the number set out in the estimates of revenue and expenditure, except with the approval of the Lieutenant Governor in Council.*

The FTE system is based on a measurement unit that equals one person working one full year, or the equivalent. It is not a measurement of cost. Under the *Financial Administration Act*, the Legislature must approve the number of FTEs in the Estimates for each ministry. These numbers cannot be exceeded without the approval of the Lieutenant Governor in Council, even if a ministry has funds available. This control is intensified through a Personnel Policy Directive which, among other things, requires each ministry to calculate and report the number of FTEs used throughout a fiscal year. It also describes the procedure to be followed in order for a ministry to increase its FTEs. The government reports on the use of FTEs on a monthly basis and the annual Estimates provide a year to year comparison. Only two other Canadian jurisdictions primarily control staffing by controlling FTEs, while eight use budgeting dollars. Nine jurisdictions report on the number of staff in the budget estimates, but only BC votes on the numbers. BC, therefore, appears to have the most rigid system in the country and it is, by all accounts, ineffective.

We have been assisted in the following review by a number of submissions received from organizations and individuals. Of special note were submissions prepared by the Government Personnel Services Division (GPSD), the Treasury Board Secretariat and the BC Government Employees Union (BCGEU). We have also been aided by the valuable advice of Senior Financial Officers in government, the staff of the Auditor General, personnel officers, union members, and a number of managerial staff. In particular, the submission received from the Acting Comptroller General, Alan Barnard, and his staff provided a summation of much of what we had received from other groups and individuals and contained valuable background details and thoughtful recommendations.

In reviewing the status of contract employees and the problems associated with the current staffing and recruitment system, the commission identified the current FTE approval system as a fundamental problem hampering the effective administration of the public service.

FTE numbers do not accurately reflect government staffing levels

Consistent with the 1992 independent financial review conducted by Peat Marwick Thorne, our own work has shown that the FTE system significantly under reports the total number of government employees by ignoring a large number of actual employees whom the government regards as contractors.

The FTE system contributes to other human resource and budget problems

The inflexibility of the FTE system often limits cost effective management and contributes to a failure to comply with statutory authority and policy. For example, FTE controls can combine with inadequacies in the staffing model to create an incentive to bypass the use of the merit system. In other words, contractors are often used to perform work that could more effectively be performed within the public service.

FTE controls are an additional administrative cost

According to the report to the commission by the Acting Comptroller General, there are more than 100 systems within the ministries aimed at controlling or monitoring the use of FTEs. The tracking systems are accurate up to four decimal places because FTE controls are more binding than dollar controls in the present system and because it is difficult and time consuming to get approval to increase FTEs. In light of this, it is the view of the Acting Comptroller General and the commission that this administrative system does not successfully control the expenditure of public resources.

FTE controls contribute to labour relations problems

The FTE system has been a major factor in fostering the use of personal service contractors to replace government employees. This has created friction between the government and its collective bargaining agents and has led to significant expenditures on disputes and arbitration.

FTE controls produce outcomes that conflict with objectives

The Acting Comptroller General's submission to the commission identified a number of instances where FTE controls conflicted with the objectives of management. For example:

- although tax auditors can generate seven to ten times their salaries through tax collection, the FTE system restricts the number of auditors who can be hired. This leaves substantial potential revenues uncollected.
- some programs lack sufficient staff to meet client needs although they have the necessary funds to hire more staff.

The effective control of staffing levels can be established using budget dollars. Management would then achieve greater flexibility in the use of its staff and could eliminate the duplication, frustration and waste present in the current control system.

The commission recommends that:

1. the existing Full-Time Equivalent system be eliminated as a control mechanism from the *Financial Administration Act*, and that control be exercised solely through budget dollars.

Notwithstanding recommendation number one, the public has an interest in, and a right to know, the size of the public service that it funds. Providing the number of FTEs in the annual Estimates and comparing them on a year to year basis does provide an opportunity for the public to examine the size of direct government. As well, the government's monitoring system allows ministers and senior management to review, question and control significant variations between the number of FTEs approved in the Estimates and the actual number of positions filled.

The commission recommends that:

2. all actual employees be included in a reformed full-time equivalent system; and

3. the size of the public service be monitored through a reformed full-time equivalent system.

The Compensation Information Bureau

Government expenditures in BC for fiscal year 1992/93 are expected to reach almost $18 billion. Approximately 60% of this amount - more than $10.5 billion - will be spent on direct and indirect labour costs in the public sector. Despite the size of this expenditure, there is no place where the public, or the parties directly involved in collective bargaining or in compensation practices, can get reliable data related to compensation in the public and private sectors. The only generally available information is contained in various budget estimates, financial accounts, collective agreements and reports filed under the Financial Information Act. None of these includes comparative data collection or analysis. Even the Industrial Relations Council's (IRC) terms of reference on collecting and publishing information only cover recent contract settlements in the unionized sector.

This lack of information contributes to the confusion over economic issues commonly associated with collective bargaining. It can foster unrealistic demands and expectations by parties in the bargaining process, hamper the government's ability to manage its resources wisely and deprive the public of accurate, timely information. Therefore, we have concluded that, given the percentage of the provincial budget spent on compensation and the prevailing trend to ever higher levels, it is unacceptable for the province to continue to rely on compensation information collected and distributed on an informal basis and in a non-standardized format.

The primary source of data on compensation in the public and private sectors in Canada was eliminated in 1992 when the federal government cancelled the federal Pay Research Bureau (PRB). Several other provincial Canadian jurisdictions still have agencies with functions similar to those of the PRB. Those agencies have a mandate to analyze compensation information and to create a neutral data base against which the various parties to human resource decisions can analyze and cost proposals.

The most broadly based of these agencies is the eight year old Institut de recherche et d'information sur la rémunération (IRIR). This agency plays a central role in collective bargaining and income determination in Quebec by providing an understanding of fair and appropriate public sector compensation segregated according to occupational category.

In order to determine the practicality of establishing such an agency in BC, our staff met with and canvassed representatives of the IRIR as well as representatives of two similar agencies in Ontario, the staff of the now disbanded PRB, and former employees of the Public Employers of BC (PEBC), disbanded in 1988. The commission then developed a model framework and met with representatives of approximately 70 employer associations and unions from across BC to discuss it. The support for a BC agency was overwhelming. Representatives from both management and labour repeatedly told the commission that accurate data on wages, benefits and other forms of compensation in the public and the private sectors need to be collected, analyzed, compared and published. This theme is also found in the reports of the former Compensation Fairness Commissioner.

We are convinced that establishing a provincial agency with a mandate to collect and distribute comparable, accurate, accessible and relevant data on wages, benefits and other forms of compensation would improve labour relations in British Columbia. It would promote and support:

- a greater exchange of information on compensation
- better coordination among public sector employers
- a more appropriate correlation between private and public sector compensation levels
- effective pay equity programs throughout the public sector.

The commission recommends that:

4. the provincial government establish an agency, called the **Compensation Information Bureau**, to collect, analyze and publish information and statistics on unionized and exempt positions relating to human resources, compensation, employment and collective bargaining in British Columbia by:
   a. collecting information and statistics about employers and employees, including, but not limited to, information and statistics about:
      i. jobs and the comparability of job functions;
      ii. rates of pay and employee earnings;
      iii. job benefits and other compensation items;
      iv. conditions and practices of employment; and
      v. demographics.
   b. maintaining a data base containing the information and statistics.
   c. regularly publishing its findings and making them available to the public, to employers and to union and non-union employees.

5. a director of the agency be appointed by an Order in Council based on the recommendation of the Ministers of Finance and Labour after consultation with both labour and management representatives of the human resources community, and that the director:
   a. be appointed for a five year term, subject to removal only by a vote of the legislature, discharge for cause, resignation, death, or expiry or non-renewal of contract.
   b. have the powers, privileges and protection given to a commissioner under ss.12, 15 and 16 of the *Inquiry Act*.
   c. establish operating policies and practices for the bureau.
   d. consult on bureau business with individuals, groups and organizations.
   e. fix the terms and conditions of employment for staff after consultation with the Assistant Deputy Minister of the Government Personnel Services Division; and
   f. appoint staff.

6. the provincial government appoint a Compensation Information Bureau Advisory Committee to recommend policy direction in consultation with the director and to act as a forum in which to provide feedback and review the agency's operation. This Advisory Committee should be:
   a. made up of an equal number of management and labour appointees from both the public and private sectors. The members should be compensated for their time in accordance with general government policy for boards, agencies and commissions.
   b. appointed in a manner that allows for continuity.

We believe that the Compensation Information Bureau (CIB) should use a total compensation approach for its methodology as this recognizes the importance of benefits as a labour cost component. The data collected will be critical to developing the job matching criteria the human resource community needs. Job matching is the process where the responsibilities, accountability, and compensation of a job in one facility or sector are matched with those of the same job in other sectors. While the number of matches and the scope of the job match surveys will have to be established with assistance from the Advisory Committee, the value of job matching is widely recognized and has been used in other jurisdictions including Quebec, the federal government and the PEBC.

To be accurate, the use of job matching will require staff to visit employers. However, these visits will not only ensure accuracy, they should also increase the agency's contact with employers on a personal level, helping it build credibility in the community. The agency will also need to make extensive use of statistical sampling in addition to its survey work and would need access to the data already collected by the IRC.

There will be start up costs associated with the Compensation Information Bureau. For example, it will have to:

- establish a premises
- recruit and train staff
- purchase equipment and software
- develop field survey specifications for job classifications
- develop survey and review methodology.

A number of these costs can be recovered from the existing expenditures made by the IRC and other public sector management organizations currently performing work on services that will be provided by the Bureau.

Funding for the CIB should be acquired through a levy placed upon the participating employers on an equitable basis and, subject to the government's decision, deducted from the funds transferred to the broad public sector for this type of research. This model is similar to that used to fund the IRIR in Quebec.

The commission recommends that:

7. the Compensation Information Bureau be attached initially to the Industrial Relations Council, but act at arm's length from the Council.

Contracted Temporary and Clerical Help Services

The commission issued a Special Report to the Minister of Finance and Corporate Relations on government's use of contracted temporary personnel services in early December, 1992. It distributed copies of the report to interested companies, government and unions. A summary of the report follows.

Background

In the mid 1980s, the government began to meet its need for short term office assistance through contracts with personnel of companies who provide temporary relief. The use of these contracted services grew through the period 1987-88 as a result of the privatization program of government and as a consequence of the application of the FTE system. The government has established a Master Standing Offer (MSO) contract with the agencies for provision of these services.

The increased use of temporary office workers became an issue in collective bargaining in 1988 between the government and the BCGEU. The BCGEU was concerned about the equitable treatment of individuals working on such contracts and about the job security of its own employee members doing similar work. The contract negotiated in 1988 between the government and the BCGEU placed restrictions on the government's use of contracted temporary personnel services. It also required monitoring and reporting of such use.

During 1992 negotiations, the government made a commitment that individuals working on temporary personnel contracts through agencies receive the same rate of pay as government employees performing the same work.

The commission reviewed the temporary help contracting issue as one aspect of our review of government contracting practices. We consulted with companies in the temporary help industry, ministries of government, and unions, primarily the BCGEU, and held a one day public meeting on October 6, 1992 to receive submissions on the matter.

The commission concluded from the submissions that the present systems of staffing and recruitment through 18 individual ministries of the Crown does not provide the government with a cost effective method of meeting short-term, temporary personnel needs using its own employees.

The commission made the following recommendations to government in its Special Report.

The commission recommends that:

8. a. The government should continue its use of the Master Standing Offer (MSO) system for the use of temporary office help services to meet its need for last minute, short term replacement personnel. Mandatory use of temporary help staff by ministries should not form part of the MSO.

   b. The MSO should ensure that personnel companies comply with relevant provincial and federal employment laws.

   c. The MSO should provide the government with a breakdown of accurate information regarding the percentage of the payment to the agency attributable to employee compensation and that which is attributable to overhead and profit.

The commission will continue its review of this issue as one aspect of its work on the recruitment processes of British Columbia's public service.

Health Care

The health care needs of British Columbians are addressed through a complex and sophisticated system of service providers. The nature of each service provider is dictated by its place along a continuum of health care services from acute to community care.

Some service providers are large institutions with significant employee populations while others are small and local. All are extremely labour intensive and the vast majority is funded, either directly or indirectly, by the provincial government. (There is some exception in the private, for-profit sector where $50 million of health expenditure is private money.)

At $6 billion, health costs account for one-third of total provincial expenditures. With an aging population and increasingly sophisticated and expensive medical procedures, these costs continue to escalate yearly. In each of the fiscal years from 1988/89 to 1991/92, the government's expenditure on health services has increased by more than 10%. That is the third highest rate of growth in any jurisdiction in Canada, behind only Manitoba and Saskatchewan.

Even without any changes to the current system, it is estimated that health care costs in British Columbia will increase 11% in 1993/94 over the 1992/93 figures just to keep pace with changing demographics, negotiated salary increases and the cost of benefits. The degree to which health services are labour intensive is measured in the percent of total expenditure devoted to labour costs.

In excess of 76% of total health care expenditures go to covering the cost of the salaries, incomes and benefits of those delivering the services.

In 1991, the Royal Commission on Health Care and Costs, chaired by Mr. Justice Peter Seaton of the BC Court of Appeal, recommended a shift of health care services away from large institutional settings to a delivery mode that was "closer to home". This recommendation was motivated by a philosophical shift towards

enabling people to remain close to home as their health care needs change. The recommendation obviously has considerable significance for human resource management policy in the health sector and requires a careful labour adjustment strategy for effective implementation. In 1992/93 the government began the process of implementing the recommendations from the Seaton Commission by transferring some funding from some acute care facilities to community care.

Human resource management across the health care system is as diverse as the system itself. There are eight significant employer groups. These include the BC Health Association (BCHA), the Health Labour Relations Association (HLRA), the Continuing Care Employee Relations Association (CCERA), BC Association of Private Care (BC PRICARE), the BC Association of Community Care (BCACC), the government itself, represented by GPSD, and municipal governments in Greater Vancouver and the Capital Regional Districts. The difficulty of dealing with this many employer groups is compounded by the fact that there are eight unions representing the bulk of employees in this sector, at least six more unions representing small groups of employees and several thousand non-unionized employees.

Most participants in the health care system agree that there is a need for changes which will allow for a greater measure of control over expenditures and policy. The fractured system precludes a holistic approach to controlling health care expenditures. It also precludes a fair and balanced approach to human resource issues. For example, employees, both women and men, who perform essentially the same work but at opposite ends of the continuum of care, are paid at significantly different rates.

Because there is no coordinated human resource planning forum, this sector is incapable of dealing with this example and many other issues in a planned or rational way.

In a letter to the commission dated May 25, 1992, the Honourable Elizabeth Cull, Minister of Health, requested that the commission consult with all interested parties and make recommendations to her,

> *on what form of organization might best meet the needs of employers to manage a labour adjustment strategy over the short term and what form of organization can best manage human resources in health care services over the longer term. Regardless of the results of this process, management must be able to work effectively and appropriately with the trade unions representing health care workers in the province.*

As a result, the commission undertook an extensive consultation process within the health care sector to help formulate recommendations to government. We wrote to over 800 participants in the sector and received 200 submissions on the matter. During August and September, the commission held more than 50 meetings with the key umbrella groups in the health sector. Throughout the consultation phase the commission posed three broad general questions to the interested parties. These questions were:

- What is the most effective structure to manage human resources and labour relations as health care delivery shifts from hospitals to the community?
- What is the best structure to manage employees through the transition?
- What should happen to the services presently delivered directly by the Ministry of Health?

In early November the commission organized a conference to further discuss these issues with the leading decision makers in the health sector representing both management and unions. This conference concluded the consultative phase of the commission's work in the health sector.

Conference participants sent a clear message on most of the issues discussed. In particular, there was broad acceptance that it is necessary to establish one organization to deal with the strategic planning and administrative issues associated with coordinating human resource management and labour relations in the full spectrum of health care.

The issue raised by some of the participants was the timing of the change. Some thought that a transition stage was necessary, others did not. All agreed that the organization should be designed in such a manner so as to provide different services to different sizes and types of organizations.

This new organization must be capable of dealing with the full range of human resource issues, such as collective bargaining and contract administration, as well as training, staffing, mobility, equity, and compensation and benefit administration for both union and non-union workers, including exempt and executive personnel. The organization must be capable of involving workers and unions in working towards the adoption of appropriate plans and arrangements which could be implemented to support the needs of patients and the public across the continuum of health care.

It was agreed that there is a need to eliminate duplication between employer organizations responsible for health care in the province. In particular, several unions observed that the status quo leads to a duplication of bargaining procedures and arbitration hearings which is wasteful both for management and unions.

There is a widely held view that unless British Columbians reallocate health care resources, the quality of our health care system is at risk. This is not news. What is encouraging, however, is the fact that the commission has heard from management and labour representatives, doctors and other interested parties that, given the right climate and structures, costs in health care can be reallocated to ensure that the standard of care in this province is not jeopardized.

As a result of these findings, the commission has three major recommendations for human resource management service in the health care sector. These recommendations are intended to facilitate the structural reform necessary for labour and management to grapple effectively with the challenges in health care on a broad, industry-wide basis. Each recommendation is set out below, with discussion following to explain the purposes of the recommendations.

The commission recommends that:

9. there be one management organization in health care responsible for coordinating all human resource and labour relations matters in the province, including the health services presently delivered directly by the Ministry of Health and other ministries of the Crown.

The merger of all of the existing employer organizations into one employers' organization must consider and respect the different roles currently occupied by each employer organization. Each employer organization has legitimate concerns as to its responsibilities and obligations to its current members. These should be recognized and addressed.

The new sectoral employer organization will be responsible for providing advice on all human resource matters. This shall include all employment issues from recruitment to retirement for all levels of employees working in health care delivery. One of the principal objectives of the new sectoral employee organization will be to foster effective relationships between employers and workers, and management and labour at the local facility and sectoral levels.

The organization will act as a resource and provide services in accordance with the requirements of its members. It is envisioned that the type of human resource service provided will vary according to the needs and desires of its members. For its members with well established human resource management functions, the role of the organization might be to facilitate the exchange of ideas and information. At

the other end of the spectrum, facilities with little or no local human resource management functions might have a greater demand for in-depth services.

The commission heard through several submissions that there is a continuing requirement for the role that BCHA plays in the health care industry with respect to matters unrelated to employment. Some of the services provided by BCHA include: a research advocacy and representation function, an education function for trustees of member facilities and agencies, and various administrative functions such as group purchasing and shared computer systems. It will be important that close coordination exist between the new sectoral employer organization and BCHA as the health system evolves.

The commission recommends that:

10. a working committee be formed in order to fashion a model to satisfy the requirements identified in recommendation number nine of this interim report. This committee will be comprised of four members of HLRA, two members of CCERA, one member each from the Government Personnel Services Division and the Ministry of Finance, two members from the Ministry of Health and three members of the general public, representing the community at large. The Chair of this committee will be nominated from the three members representing the public interest. The Ministry of Health must make funds available to make this process effective.

The committee will be expected to work out solutions on major transition issues such as the drafting of a constitution for the new organization and administrative details such as leases and personnel considerations. Because of the need to complete this work in a three month time frame, it is expected that much of the work will be done by sub-committees of the 13 member working committee.

The commission will monitor the progress made by this working committee and will be available to assist it to resolve any outstanding issues. Should the committee, with the assistance of the commission, be unable to come to a

complete conclusion on all issues related to the establishment of the organization by the middle of March, 1993, the commission will then make final recommendations as to the precise form of organization which should be established to serve the human resource and labour relations requirements of the health sector.

The foregoing recommendation does not preclude interim transitional arrangements as preliminary steps towards the creation of one organization. Such preliminary steps may be required in order to account for the adjustments which will be required in each sector prior to moving toward a unitary organization.

One such transitional step is the need to establish a mechanism to address the impact on human resources from the restructuring of health care. Since the completion of the work of the Royal Commission on Health Care and Costs, the government has implemented a number of changes consistent with the recommendations contained in that report. We expect the government will continue to do so.

In implementing these new directions, it is imperative that the government support a structure that will assist employees in the health care industry to make successful personal and professional transitions to the health care industry of tomorrow.

The Ministry of Health, in consultation with HLRA and three major unions representing employees in acute care hospitals, has developed and implemented a labour adjustment program. The commission is advised that while this program has received some favourable comments from both labour and management, labour has been reluctant to fully endorse it.

In noting that there is not yet a consensus on the best organizational form to lead and implement labour adjustment and in recognition of the fact that this important issue cannot be neglected between now and the establishment of the new employer organization,

The commission recommends that:

11. an interim organization be created to deal with the labour adjustment strategy.

The organization that can best meet the needs of employers to manage labour adjustment over the short term should include representatives of the major employer groups affected - both those employers whose employees may be displaced and those who may be hiring displaced employees. As the minister of Health pointed out in her letter to the commission, the group must be able to work effectively and appropriately with the trade unions representing health care workers in the province. The commission makes no specific recommendation with respect to the organizational form of this working relationship, other than to recommend that the issue be addressed as a matter of immediate priority.

This organization is intended as a transitional structure and will be revisited when the new employer organization in health care is established.

Finally, there are two issues for the commission to consider with respect to the involvement of the government in the direct delivery of health services. The first is, who should have responsibility for employment matters for the ministry's employees? The commission has answered that issue by recommending a single human resource and labour relations management organization which will have responsibility for employment matters.

The second issue concerns <u>who</u> the employer should be. Should it continue to be the government?

We note from many submissions an emerging consensus that the government should not be the employer in the delivery of any institutional services. Furthermore, there are questions about the appropriateness of the government's role as employer in the delivery of other health services. There is a view that an appropriate role for the Ministry of Health includes policy development and guidance, but does not include the role of employer in direct delivery of health services. However, this requires more consultation, especially with the employer and the unions directly affected. The commission will conduct a further review on this issue in the next few months and make recommendations as part of our final report to the government in the spring of 1993.

THE BROAD PUBLIC SECTOR: ONGOING PROJECTS

Restoring the Public Service

The public service is the only component of the broad public sector where the government has direct management and fiscal control. The public service includes all of those people directly employed by the government.

The commission's terms of reference express an imperative for a more detailed review of human resource management issues in the public service than in the other components of the public sector.

The purpose of our public service review is to recommend legislative, structural and policy changes which will facilitate the recruitment and retention of an efficient, effective and motivated public service equipped to face the challenges of the 21st century. It is appropriate that the government strive to provide modern human resource management in the public service as both leader and model for the broad public sector. It is also, in our view, the best means to ensure that the public service can meet its obligations to government and to the people of British Columbia.

There are two statutes which provide the foundation for human resource management of the public service. These are the *Public Service Act* (PSA) and the *Public Service Labour Relations Act* (PSLRA).

The current PSA, as amended in 1985, substantially altered a historic and long standing system of staffing and recruitment in the public service. The Public Service Commission, originally a central agency responsible for a broad range of personnel activities including staffing, safety and executive development, was abolished and replaced by a new commission with a narrow mandate to deal only with appeals from ministry job competition decisions. Similarly, the new PSA eliminated the Government Employee Relations Bureau, an agency that had responsibility for broad human resource matters, and replaced it with the present

GPSD which has restricted involvement in staffing and recruitment and other personnel matters, but does have responsibility for labour relations matters for the government.

The result is a decentralized and fragmented system of human resource management in the provincial government. Lines of demarcation and authority between ministries and central agencies are unclear and, in some instances, competitive. GPSD is left to focus on labour relations problems rather than to be proactive in the development of comprehensive human resource management practices that ensure excellence in staffing from the outset and the best employment practices to serve both employees and the public.

The PSLRA regulates collective bargaining in the public sector. It operates in conjunction with the Industrial Relations Act (the Labour Relations Code) and the PSA and specifically mandates the form and composition of public service bargaining units as well as the scope of topics that can be negotiated by public service unions.

Although the PSLRA was reviewed in 1976, there have been no significant changes to it since it was proclaimed in 1973. This means that both the PSLRA and the PSA reflect the human resource practices and priorities of the 1970s and 1980s. They do not represent the economic, cultural and social dynamics of the province in the 1990s, nor are they designed to meet the challenges of the 21st century.

The people who work in BC's public service are employed to provide a vast array of services to the province, such as motor vehicle licensing, liquor distribution and retail sales, community and mental health service, protection of natural resources, and services to the business and the general communities such as land registration. They are the backbone of the social welfare system, provide analysis in social and economic areas, staff the courts and jails and provide protection to adults and children who are unable to protect themselves.

Our review to date reveals that the public service employs people at all levels with a high degree of commitment to the public interest. Many of these people - from line employees to deputy ministers - have told us that the present system of human resource management does not serve the needs of 1990s employees.

The commission is reviewing the relationships between managers and employees in the public service. The purpose of this review, which covers the quality, efficiency and effectiveness of service delivery in the various ministries, is to restore and improve the quality of service provided by the public service to the people of BC. The commission is sponsoring a conference in late February to examine possible processes that can improve the ability of public service employees at all levels to work in the public interest.

The commission has also identified a number of specific areas that require in-depth analysis and review in the public service. These sub-projects of the commission are:

Contracting issues
- Personal Service Contracts
- Commercial and Consultant Contracting
- Systems Contracting

Exclusions
Dispute Resolution
Recruitment, Selection, Appeals and the Processes
Structural Reform
Separate Adjudications

Contracting Issues

• *Personal Service Contracts*

The use of personal service contracts has created a number of human resource problems in the public service.

- Contractors are denied statutory and negotiated rights and entitlements that are provided to employees in the public service.
- Contracting results in a circumvention of the merit principle established by statute.
- Career paths are interrupted, thereby diminishing the motivation and commitment of both contract and regular government employees.

Personal service contracts also disguise the actual size of the public service in British Columbia, distorting information that is vital to the creation and implementation of public policy. Despite these drawbacks, the use of personal service contracts has been increasing in recent years because of a variety of government controls, regulations and restrictive bureaucratic procedures.

For example, according to GPSD, the average time it takes to staff a position in the public service is three and one-half months, if there is no appeal to the Public Service Commission. In the event of an appeal, this already lengthy procedure can be extended to nine months.

The commission's approach to the review of personal service contracts is to sponsor a process whereby GPSD, the affected ministry and each of the unions affected by these contractual relationships - BCGEU, Professional Employees' Association (PEA), BC Nurses' Union (BCNU) and the Union of Psychiatric Nurses (UPN) - review each contract holder and attempt to reach agreement on the proper status and, if necessary, remedy for that contract employee.

Where a decision that an individual is legally an employee of the government and not a contractor is either agreed upon by the parties or ordered by the commission, it becomes necessary to fashion a remedy that is equitable to the individual, the government and any bargaining agent affected by the decision.

The unions and GPSD asked the commission to act as a binding adjudicator in the cases of individual contracts where agreement could not be reached. The commission has accepted this adjudicative responsibility both because it is cost effective in that it avoids expensive formal arbitration processes and because it provides the commission with insight into the real problems created by the employee contracting system.

There are 5,239 contracts to be reviewed with the unions, excluding systems employees. To date, 1,229 have been reviewed, of which approximately 20% have been found to create an employment relationship. These numbers are consistent with Peat Marwick Thorne's 1992 independent financial review that estimated approximately 1,480 contractual relationships actually created an employer/employee relationship with government.

The commission is also reviewing the contracts of management employees who are excluded from bargaining units. Although it is not in a position to adjudicate disputes in this part of the personal services contract review, as there is no bargaining agent for these employees, the commission will make recommendations to the government concerning the excluded positions. This review of managerial positions must be consistent with the review of contractor/employee issues where there is a bargaining agent in place.

• *Commercial and Consultant Contracting*

The FTE system, the government's rigidity, and complex recruitment policies and procedures all contribute to the broad use of contracting. It is also partly a result of the privatization of functions historically performed in the public service.

Our review of commercial and consultant contracting has identified serious procedural problems in the management of these contracts. Specifically, while the Government Management Operations Policy requires a cost/benefit assessment of contracts relative to performing a service in-house, the policy is seldom followed.

To rectify this, the commission will be making recommendations for a framework for government contracting decisions. This framework must be capable of practical and expeditious implementation on an ongoing basis. It must allow for the weighing of relative costs, service quality, the effect on the contracting organization, the economic development potential of the contract, and the employee relations policies and practices of the contractors. As well, it must account for the role of government in developing a strong private sector. These guidelines are being developed through a review of specific contracts.

• *Systems Contracting*

In 1991/92 the provincial government spent $285 million on information technology. Much of this money is spent with contractors, many of whom may, in fact and in law, be employees.

The commission's primary concerns in its review of systems contracting are the clarification of the employee/employer relationship and the relative cost of contracting these functions out of the public service. We are also reviewing:

- the degree of integration of BC Systems Corporation and its employees with direct government systems services
- the policy which restricts system development work to the private sector
- the role of government procurement in developing a strong private sector in information technology that creates economic value in the province.

This project is being conducted in collaboration with an information technology working group of government. The working group is under the direction of the Deputy Minister's Council. The commission has been working with the working group and the BCGEU since October 15, 1992, to review both the policy framework for systems delivery and appropriate employment relationships of the hundreds of systems contractors who are working in line ministries and who are alleged to be employees.

Exclusions

Approximately 12% of public service employees in British Columbia are excluded from bargaining unit representation, either by statute or by negotiation with each of the respective unions. That percentage will be examined in the context of exclusion levels in other public jurisdictions in Canada.

To review this matter, the commission is consulting with the various unions and with management staff to determine whether changes to the negotiated and statutory provisions for exclusion under the PSLRA are appropriate at this time.

Dispute Resolution

The objective of the commission's review of dispute resolution is to ascertain whether or not the government and its various unions use the most effective means available for resolving work place disputes. The commission is obtaining accurate information from both parties regarding the number of grievances that are filed annually, the number of arbitrations and their outcomes and the costs associated with resolving disputes.

Recruitment, Selection, Appeals and the Processes

In November, the commission began a broad policy review of the government's recruitment, selection, promotion and appeals process. The review panel, including labour and management, is conducting 12 focus group meetings in different regions of the province with line management and employee groups drawn from the 18 ministries. The commission also sponsored a public meeting at each location to allow for greater public input and 240 employees, including line managers and other employees, of the BC public service, came out to air their views at the public meetings held in Victoria, Vancouver, Kamloops and Prince George.

Structural Reform

All of the public service projects beg the larger question of the overall organization of human resource management in British Columbia's public service: What is the proper balance between the highly centralized authority of the 1970s - able to set and enforce consistent standards and guidelines, but too bureaucratic in the result - and the decentralized authority of the 1980s - able to respond to local issues at a ministry level, but too fragmented in the result? In its final report, the commission will develop recommendations for a central human resource department of government with delegated responsibilities to the various ministries that will lead to a balanced, efficient and responsive structure for government to manage its own human resources.

Separate Adjudications

In addition to the specific projects undertaken in its review of human resource management in the public service, the commission has accepted the role of facilitator and adjudicator in certain separate disputes in the public service. They are listed below:

- Personal Service Contracts (see p.33)
- Crown Counsel
- BC Nurses' Union Auxiliary/Regular Classification Disputes
- Court Reporters
- Deinstitutionalization
- Public Service Labour Relations Act, s. 1 - Policy Grievance
- BC Nurses' Union Contract Nursing Dispute

Details of these adjudications will be included in our final report.

Towards A Final Report - The Public Service

Our final report to government on the public service in April/May 1993 will contain specific recommendations for reform of both the Public Service Act and the Public Sector Labour Relations Act. It will also comment on the profound question of the appropriate relationships between government, public service unions, managers and employees at all levels.

There is a consultative committee to the commission comprised of deputy ministers, management and representatives of the four public service unions with whom the commission is reviewing all of the public service projects. We are also reviewing many of these projects with the Deputy Ministers' Human Resources Committee. The commission would like to thank both the GPSD and the public service unions for their input to date on these projects.

Colleges and Institutes

There are 20 colleges and institutes in British Columbia. They employ approximately 12,000 people who are represented by six unions and 42 bargaining units. These organizations have developed over 25 years from a system of community based and controlled institutions to become key parts of BC's educational system. Seventy-five percent of their funding comes directly from the province and their boards are appointed by the government.

Most of these colleges and institutions developed separately. This has led to diverse and significantly different organizational models and cultures. Those differences are sometimes the result of differing mandates or client populations or reflect simple differences in the administrative and organizational style of the individuals who shaped them. In all cases, these differences shape the organization's approach to human relations management, including its labour relations.

The college and institute system is undergoing remarkable change. This change is largely driven by forces beyond the system's control but to which it must nevertheless respond effectively. The changes result from a shifting global economy which is forcing BC's economy to become more competitive and develop and sustain a skilled work force capable of continuous upgrading. Estimates suggest 1990s employees can expect to have seven or eight jobs during their working lives. This puts an incredible demand on the system for the availability of training programs. The most recent manifestation of the problems this trend is creating is exemplified in the recent highly publicized crisis of lack of access to post-secondary education.

Other forces are also changing the structure of the college and institute system. As it has developed from a system of community based and controlled institutions to a key part of a provincial educational system, the amount of provincial government funding and financial control has increased. Ironically, despite this degree of fiscal involvement, government continues to exert remarkably little control over the

human resource policies of the system and its member institutions, particularly in the areas of labour relations and compensation issues. At the same time, the institutions themselves lack coordinated, consistent and effective policies in this area.

The unions representing employees in the system have recently attempted to coordinate their activities through the Council of Unions in Colleges and Institutes (CUCI). Management has attempted some coordination of its own through the Advanced Educational Council of BC (AECBC).

There is general consensus that the current fragmented approach to human resource management does not serve the interests of the system and its many participants well, especially in light of the changing role of colleges and institutions. However, there is no agreement at this point on what changes to the system might be desirable and effective. Most participants do agree that any new system must allow for the distinct cultural identities of each institute and incorporate the predominant ethos of collegiality.

Representatives of labour, management and the AECBC have all devoted time and energy to assisting the commission with this review. We met formally with representatives of the unions in the sector on October 15 and 16, 1992 and have the agreement of both the College and Institute CEOs and the Council of Unions to sponsor a joint conference in early 1993. This conference will develop a coordinated human resource management model for this sector that supports the legitimate differences in structures and cultures within the system and that also respects the policy and fiscal agenda of the government.

Universities

Although the universities have a different history and legislative framework than colleges and other educational institutions, they do share a number of problems with other public sector groups, including a fragmented human resource management policy. This means that each university has established its own human resource management policy and, as with other parts of the public sector, is little influenced by the policy decisions of the provincial government.

The commission has begun a review of the university sector. It has held meetings with representatives of the various unions, faculty associations and administrations and it will continue with these consultations as it develops its final recommendations.

Education: Kindergarten through Grade 12

The commission has received numerous briefs and individual submissions, some of which urge significant changes to the present structures of collective bargaining with teachers in the Kindergarten through Grade 12 sector (referred to as K-12). We have also received copies of the submissions on the subject of education labour relations that were made to the Committee of Special Advisors to the Minister of Labour on Labour Law Reform.

Unlike other sectors where the parties agree on the need for change but differ on the changes needed, the parties in education are not in agreement that a new way of doing business is in order. To fully appreciate the situation as it currently is, a brief synopsis of the history of bargaining in education is useful.

Since 1944 there have been minimal structural changes to the province's system of providing K-12 education through school districts. Each local school board has its own administrative structure and is able to set and implement its own human resource management policy. Teachers and support staff in the K-12 system in the 75 districts are covered by 168 different collective agreements. Sixty-six school

boards belong to the BC School Trustees Association (BCSTA), which plays a coordinating role amongst its member districts. A similar role is played for their respective members by the BC School Superintendents' Association, the BC Principals and Vice-Principals' Association, and the BC School District Secretary-Treasurers' Association. Most teachers belong to the BC Teachers Federation (BCTF), which assists the local associations of teachers in coordinating negotiations. There is a number of support unions representing support, janitorial, and other non-teaching staff in the K-12 sector. The largest of these is the Canadian Union of Public Employees (CUPE). CUPE bargains for its members on a school board by school board basis.

The K-12 system is, as one would expect, highly labour intensive. The 1992/93 operating budget for the K-12 system was $3.1 billion, second in size only to health care. In total, $2.6 billion went to compensation costs in the K-12 system, representing approximately 15% of the entire provincial budget.

Historically, teachers had limited rights when it came to discussing their terms and conditions of employment with their employers. Prior to 1987, teachers bargained about salaries, and, to a lesser extent, established learning and working conditions agreements at the school board level. The view of the BCTF was that the scope of bargaining during this period was limited to the extent that the union was unable to negotiate in any meaningful way about working conditions.

The law set out prescriptive timeliness for bargaining and dispute resolution and imposed mandatory interest arbitration in regard to salary and bonuses after a specified date when the parties were unable to conclude an agreement on their own. Despite these limitations on the rights of teachers in this period, there is a view held by some members of the education community that teachers achieved fair monetary settlements as a result of interest arbitration.

- In 1987, when the government of BC introduced changes to the School Act that included the introduction of broader collective bargaining for teachers, the teachers gained essentially the same rights that support staff employed in the schools had enjoyed for years. The BCTF response to the legislation introduced in 1987 was that teachers were organized into unions on a local basis in each school district as the legislation required.

Bargaining on behalf of teachers occurs at 75 different bargaining tables. Not surprisingly, there are striking similarities among the various agreements, as well as differences.

Employers argue that while each of them bargains separately without a central negotiating or coordinating authority representing School Boards, the BCTF is effectively bargaining centrally. The BCTF holds a different view and argues that they bargain locally, sometimes without even a BCTF representative at the table. The BCTF has also urged the commission to be cognisant of the fact that bargaining for teachers has undergone several changes over the past ten years which are unsettling to the parties. They say the new bargaining rules, which were set in 1987, deserve some time to settle in.

Submissions have been made to the commission from trustees, various groups representing administrative officers and parents/taxpayers in recent months. While the opinions expressed in these submissions are not uniform in their suggestions as to the reforms that are necessary, the large majority of them strongly assert that the balance of power in school system bargaining has shifted to the BCTF. Moreover, these submissions point to the cost of the repetitive process to achieve similar results. The cost of the processes for teacher bargaining, based on a survey conducted by the BCSTA in 1992, is estimated to be in excess of $9 million for all 75 school districts for the province's 32,000 teachers. By comparison, the cost of bargaining for 19,000 of the province's nurses in the health care sector is estimated to be in the order of $900,000, according to HLRA and CCERA - a difference of $8.1 million.

Initiatives have been undertaken to address specific problems in the K-12 system. The minister has established a funding review panel chaired by Cindy Spangelo. The BCSTA and the BCTF have commenced a joint study of teacher collective bargaining to see if they can identify and agree on improvements to that system. In April of 1992, the BCSTA voted by a 2-to-1 majority to support the consideration of a provincial system of bargaining for teachers.

As is readily apparent, the differences respecting collective bargaining and other human resource matters between the various stakeholders in this sector are substantial. In the commission's view they require much more detailed review. The commission will continue consulting with all parties in this sector in an effort to create recommendations on human resource management that fit with the mandate of the commission and that, to the extent possible, balance the legitimate interests of all parties.

Crown Corporations, Boards, Agencies and Commissions

There are approximately 210 crown corporations, boards and agencies in British Columbia, all of which function outside of the direct public service. Each of these organizations has been established by the provincial government and most are governed by directly appointed boards with very specific mandates. The commission is focusing on the exercise of human resource management in about 20 of the major crown corporations.

While many of these organizations receive substantial subsidies, some raise money directly by charging the public for their services. Some, such as the BC Buildings Corporation and the BC Systems Corporation, are, in effect, integral parts of government, while others, such as the BC Hydro and Power Authority and the Insurance Corporation of BC, enjoy a significant degree of independence. However, all of these organizations have an important effect on the government's social and economic policies.

The objective of the commission's review of this sector is threefold. First, to ensure that the human resource and labour relations policies of these organizations are consistent with the overall direction of government policy. Second, to ensure that the crown corporations and agencies develop an appropriate degree of coordination and communication among themselves and with the government. Third, to participate in the overall planning model for human resources and labour relations in the broad public sector.

Social Services

In addition to the more easily identified areas of the public sector, there are significant, though largely invisible, groupings of not-for-profit societies and privately owned organizations that are funded by government to provide a wide range of social services to the people of British Columbia. These include: services to people with mental disabilities; family and child services; mental health services; transition houses and family violence services; aboriginal social services; victim assistance programs; child daycare centres; and child development centres. For the purposes of this review, it does not include home support services which more logically form a part of our health care review. The government provides these services through 7,000 to 8,000 contracts to agencies each year. Between 20,000 and 40,000 people are employed in the sector.

The first step in any review of this sector is the difficult task of gathering and analyzing information on how many people the sector directly or indirectly employs, how much of the sector is unionized, and what the actual wages in the sector are. The second step is to define the critical human resource management issues in the sector. The third is to recommend alternate mechanisms to move human resource practices in social services more into line with those in the rest of the public sector.

The commission has begun the process of consultation and information gathering. To do this we have enlisted the cooperation of the Ministries of Social Services, Attorney General, Education, Advanced Education and Training and Women's Equality in identifying options for improving human resource management in this sector. In addition, key members of the social services community, along with union and employer associations, are participating in a reference committee which first met with the commission on November 12, 1992 and will continue to act in a consultative capacity to our review of this sector. We will make recommendations on changes in the social services sector in our final report.

Benefit Administration

Benefit administration refers to the actual administration of specific benefit coverage and to the management of the financial reserves which support those benefits. For the sake of this project, health and welfare benefits include medical insurance premium payments, extended health benefits, sick leave plans, short and long term disability coverage, dental coverage, and life and accident insurance. They do not include statutorily mandated coverage such as unemployment insurance, Canada Pension Plan, and Workers' Compensation.

The public service itself has a completely centralized benefit administration. However, with the exception of the health sector, where some centralization is provided through the Health Labour Relations Benefit Trust and CCERA, other benefit administration within the public sector exhibits significant fragmentation and an overall lack of coordination. Many public sector employees enjoy similar benefit packages - at least with respect to the principal components - but there are significant differences in the levels of coverage provided by the packages and in the division of funding responsibilities between employers and employees. Furthermore, a number of public sector employees, primarily in Health and Social Services, have little or no benefit coverage.

We would like to make clear that the commission's mandate does not address the content of specific benefit packages. Instead, its focus is on the method, cost of administration, and financing structure of benefit plans across the public sector. We note that the Advanced Education Council of BC is conducting an independent review of benefit administration in its sector to see what changes, if any, should be implemented. It has generously agreed to make that study available to us when it is completed.

We are being assisted in our review of benefits by outside consultants who are identifying the nature of opportunities for more efficient use of funds to cover benefit costs. The cost of benefits for public sector employers is, at a minimum, $1.2 billion annually.

The objective of our recommendations is three fold. First, to identify opportunities in public sector benefit administration to achieve lower administrative costs. Second, to enhance investment return on benefit reserves. Third, to attempt to create mechanisms to enable parties to standardize benefits throughout the various public sectors over time. It is possible that more efficient and coordinated management of benefit plans could put benefit plans within reach of smaller employers and their employees by re-allocating costs. Another possible outcome of our review is the identification of benefit alternatives, suitable to the needs of employees in the 1990s, that can be achieved within existing expenditures.

Senior Executive Compensation

Senior executive compensation in the public sector has been the subject of numerous discussions throughout the past year. Ministers of the provincial government have publicly noted seeming anomalies in the compensation practices between various public agencies. The issue has been extensively commented on by the former Compensation Fairness Commissioner, particularly in the 1991 Annual Report, anticipating the rescinding of the Compensation Fairness Act which had frozen all public service salaries above $79,000.

The most important point to arise from all of these comments is that it is clear that the current methods for determining executive compensation levels throughout the public sector are inadequate. They do not reflect a rational or consistent process for determining the appropriate level of executive compensation nor do they acknowledge the government's legitimate need to exert some control in this area on behalf of the taxpayer.

The commission's initial review of this extremely complex topic has persuaded us that the issues must be addressed sensitively. We began, therefore, by circulating a questionnaire to approximately 350 public sector employers, asking for detailed information on their compensation practices for the positions of chief executive officer and all employees reporting directly to that position. The data from that questionnaire have been entered into a data base and are being reviewed by the commission.

This review is being undertaken in conjunction with consultants. The review team is meeting with senior executives and others throughout the public sector to develop an understanding of the means by which executive compensation is presently established and what improvements, from the perspective of those in the system, will best ensure public confidence in the appropriateness of senior public sector management compensation levels. At the end of this review, we expect to be able to make recommendations to government in two areas:

- processes for the better management of CEO and senior executive compensation in all sectors; and

- the establishment of general guidelines that will assist public sector entities in the establishment of executive compensation.

As with benefit administration, the commission is not addressing individual cases in its review of executive compensation. Instead, we will be recommending processes to enhance government's legitimate influence over executive compensation in each area of the public sector and to ensure some harmonization of process and guidelines across the public sector.

Exempt Compensation

There is a large group of employees in the public sector - non-union management staff and confidential support staff - that is neither represented in bargaining units nor is it covered by executive compensation. Excluded from unions either through negotiation or by statute, its terms and conditions of employment are as or more diverse than those of senior executive officers.

While the commission does not intend to review the treatment of these employees in as much detail as that of senior executives, we do expect to recommend policies which will ensure employment practices that are consistent with the rest of our recommendations regarding human resource management in the public sector.

The Role of Government in Public Sector Human Resource Management

The commission has concluded that there is a need for the provincial government to be more directly involved in policy and fiscal planning and coordination of human resource management and labour relations in the broad public sector. The commission's final report will make recommendations on an appropriate model to effect such policy and fiscal planning and coordination. The model will also recognize the need for as broad a partnership as is realistically possible between government, public sector employers and public sector unions.

CONCLUSION

After nine months of work, the commission is convinced that there is no single and simple response to the questions which led to the commission's mandate. The size and complexity of the public sector, as well as the many and varied approaches to human resource management issues within it, lead to the conclusion that British Columbia is facing some extremely difficult choices in crafting its public policy agenda for the next decade.

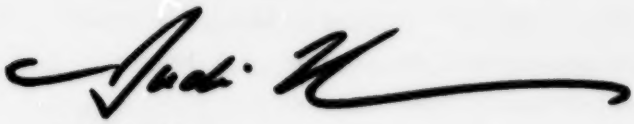
Those choices require finding an accommodation between the competing demands upon government services and support and the diminishing capability of the government to fund those services. That diminishing ability is at least partly a function of the radical shift in employment in British Columbia since 1981. That shift has moved 40,000 jobs from the private resource sectors to service sectors. Many of these service jobs now rely upon government for support, e.g. health, social services, education and government-dependent businesses.

Our initial review has confirmed the daunting dimensions of this crisis and the compelling and urgent need to seek and find solutions to it. Changes in the area of human resource management will not, in and of themselves, provide a single solution. What they will do, however, is create a human resource framework within which government can project, coordinate and plan for solutions with public sector managers and unions. Even in the human resource area, solutions will be neither simple nor uniform. They will need to incorporate individual expression across the many organizations and sectors.

What is essential is that all of the solutions meet the core tests of accountability, coordination, resource efficiency and balance. They must be consistent with the government's policy framework and objectives and they must be supported by sufficient human resource funding to allow for the proper management of all employment matters. They also must all be capable of dealing with employees and their unions in a respectful and constructive manner at every level of the public sector.

In addressing its mandate, the commission is proceeding along two parallel courses. Where appropriate, it is assisting participants from within the various sectors to work together to achieve consensus on solutions. The commission is also preparing specific recommendations for changes in statutes, policies and structures where such changes are, in its estimation, necessary to effectively respond to the needs of the public sector with respect to human resource management.

It remains only for me to thank the many individuals and organizations who have assisted the commission to date. Without their input, and without the work of the commission's small staff and advisory committee, who have worked relentlessly in our endeavours, the commission's progress to date would not have been possible.



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Commissioner

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